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SUBJECT: CAPTAIN OF SUNK CHINESE VESSEL IN HOSPITAL, AWAITING
PROSECUTION

1. Russian Border Guard Patrol boats on February 19 fired upon a Chinese cargo vessel making an unauthorized departure from the Far East Russian port of Nakhodka. The ship, which was involved in a trade dispute with a local company, was damaged and sank when caught in rough weather. Border Guards rescued three of the ten sailors who had escaped the sinking ship, but the rest -- Chinese and Indonesian -- were lost at sea and are presumed drowned. The rescued crewmembers have left Russia, but the captain of the ship, who has been at a local hospital since the incident, will be detained during the investigation of the incident and may face up to two years in prison.

2. The New Star vessel, owned by the Chinese shipping company Zhejiang, was contracted to deliver rice to Nakhodka on January 29. The recipient, Russian rice and fruit importer Prodpogramma-Impuls (Novosibirsk), refused to accept the shipment, stating that 400 tons of the 5,000-ton rice shipment was damaged and unusable. The company was planning to file a claim in a local court for compensation in the amount of 12.3 million rubles (USD 410,000) for the rice, asserting that the ship was in bad shape and that the shipping company was negligent.

3. In response, the head of the Zhejiang Shipping Company ordered the New Star captain to flee the port -- presumably because he did not think there was a chance of winning the case. The ship left port before receiving documents authorizing it to set sail, thereby prompting the chase. A contact told the Consulate that it is quite common for detained ships to escape from port successfully -- usually the Border Guards do not send ships to pursue. The fact that ships took the unusual step of pursuing the escaping boat, he said, could indicate some "business ties" (either established or 'temporary') between the company and the border authorities. The contact further stated that the contracting company's plans to take the case to the Primorskiy Kray Arbitration Court instead of the International Arbitration court may indicate the Russian company hoped to receive the confiscated ship -- built only three years ago -- as compensation.

4. Both the shipping company and the contractor have been accused of impropriety in the past. Progdrogramm-Impuls was involved in a similar, perhaps fraudulent, case last year. After making a claim for damaged and unusable rice from a different shipper, the company received USD 200,000 from the Ingosstrakh insurance company and USD 580,000 from the shipper. Local media have reported that the shipping company faced criminal charges last year when an illegal shipment of mercury was found onboard at the Ukrainian port of Feodosia.

5. The captain of the ship has filed an appeal to the Vladivostok representative of the International Transportation Federation (ITF) to help obtain compensation for the surviving crewmembers. The ITF stated it intends to conduct consultations with Russian colleagues on how to best assist the captain and his crew, and is demanding a fair investigation of the case.

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